

**REPORT OF THE AUDIT OF THE
MCCREARY COUNTY
CLERK**

**For The Year Ended
December 31, 2007**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE MCCREARY COUNTY CLERK

**For The Year Ended
December 31, 2007**

The Auditor of Public Accounts has completed the McCreary County Clerk's audit for the year ended December 31, 2007. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees increased by \$69,031 from the prior year, resulting in excess fees of \$69,574 as of December 31, 2007. Revenues increased by \$300,370 from the prior year and expenditures increased by \$231,339.

Report Comments:

- | | |
|---------|--|
| 2007-01 | The County Clerk Lacks Adequate Internal Controls Over Computerized Information |
| 2007-02 | The County Clerk's Office Lacks Adequate Segregation Of Duties |
| 2007-03 | The County Clerk Had A Deficit Of \$666 In Her 2007 Fee Account |
| 2007-04 | The County Clerk Should Have Paid Taxing Districts Correct Shares Of Monthly Delinquent Tax Collections |
| 2007-05 | The County Clerk Should Submit An Amended Fourth Quarter Financial Report To The Department For Local Government |
| 2007-06 | The County Clerk Should Remit Occupational License And Deed Transfer Tax Quarterly |
| 2007-07 | The County Clerk Should Report Salaries At Gross On The Financial Statement |
| 2007-08 | The County Clerk Should Deposit Revenues Intact Daily |
| 2007-09 | The County Clerk Did Not Maintain Accurate Payroll Records |
| 2007-10 | The County Clerk Should Adhere To The Fiscal Court's Administrative Code |
| 2007-11 | The County Clerk's Financial Records Were Not Accurate Or Complete |

Deposits:

The County Clerk's deposits as of August 13, 2007, were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$23,419

The County Clerk's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the County Clerk's deposits in accordance with the security agreement.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Blaine Phillips, McCreary County Judge/Executive
The Honorable Jo Kidd, McCreary County Clerk
Members of the McCreary County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of McCreary County, Kentucky, for the year ended December 31, 2007. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2007, in conformity with the regulatory basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole. The schedule of excess of liabilities over assets is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated in all material respects in relation to the financial statement taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated June 24, 2008 on our consideration of the McCreary County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Blaine Phillips, McCreary County Judge/Executive
The Honorable Jo Kidd, McCreary County Clerk
Members of the McCreary County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2007-01 The County Clerk Lacks Adequate Internal Controls Over Computerized Information
- 2007-02 The County Clerk's Office Lacks Adequate Segregation Of Duties
- 2007-03 The County Clerk Had A Deficit Of \$666 In Her 2007 Fee Account
- 2007-04 The County Clerk Should Have Paid Taxing Districts Correct Shares Of Monthly Delinquent Tax Collections
- 2007-05 The County Clerk Should Submit An Amended Fourth Quarter Financial Report To The Department For Local Government
- 2007-06 The County Clerk Should Remit Occupational License And Deed Transfer Tax Quarterly
- 2007-07 The County Clerk Should Report Salaries At Gross On The Financial Statement
- 2007-08 The County Clerk Should Deposit Revenues Intact Daily
- 2007-09 The County Clerk Did Not Maintain Accurate Payroll Records
- 2007-10 The County Clerk Should Adhere To The Fiscal Court's Administrative Code
- 2007-11 The County Clerk's Financial Records Were Not Accurate Or Complete

This report is intended solely for the information and use of the County Clerk and Fiscal Court of McCreary County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

June 24, 2008

MCCREARY COUNTY
JO KIDD, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2007

Revenues

State Fees For Services	\$	8,672
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Fiscal Court		6,918
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	459,849
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Usage Tax		540,587
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Tangible Personal Property Tax		758,938
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Other-

Fish and Game Licenses		5,411
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Marriage Licenses		6,103
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Occupational Licenses		248
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Deed Transfer Tax		21,872
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Delinquent Tax	235,126	2,028,134
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Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts		11,700
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Real Estate Mortgages		22,166
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Chattel Mortgages and Financing Statements		57,023
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Powers of Attorney		946
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Affordable Housing Trust		17,146
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All Other Recordings		26,843
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Charges for Other Services-

Bail Bonds		2,556
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Copywork	8,189	146,569
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Other:

Motax Liens		10,022
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Miscellaneous	8,474	18,496
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Interest Earned		1,342
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Total Revenues		2,210,131
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The accompanying notes are an integral part of this financial statement.

MCCREARY COUNTY
 JO KIDD, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2007
 (Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	313,208	
Usage Tax		524,032	
Tangible Personal Property Tax		296,893	
Licenses, Taxes, and Fees-			
Fish and Game Licenses		5,238	
Delinquent Tax		57,920	
Legal Process Tax		19,283	
Affordable Housing Trust		17,502	
Inventory Reimbursement		12	\$ 1,234,088

Payments to Fiscal Court:

Tangible Personal Property Tax	122,501	
Delinquent Tax	23,682	
Deed Transfer Tax	20,787	
Occupational Licenses	96	167,066

Payments to Other Districts:

Tangible Personal Property Tax	310,265	
Delinquent Tax	117,754	428,019

Payments to Sheriff

2,318

Operating Expenditures:

Personnel Services-

Deputies' Salaries	118,394
Part-Time Salaries	18,888

Employee Benefits-

Employer's Share Social Security	18,213
Employer's Share Retirement	28,613
Employer's Paid Health Insurance	29,124

Contracted Services-

Advertising	269
Printing and Binding	1,160
Maintenance and Repairs	3,068

The accompanying notes are an integral part of this financial statement.

MCCREARY COUNTY
JO KIDD, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2007
(Continued)

Expenditures (Continued)

Operating Expenditures: (Continued)

Materials and Supplies-

Office Supplies \$ 4,763

Other Charges-

Conventions and Travel 358

Dues 425

Postage 3,845

Refunds 1,726

Telephone 2,088

Election Expense 330

Miscellaneous 579 \$ 231,843

Debt Service:

Lease Purchases 2,830

Total Expenditures \$ 2,066,164

Less: Disallowed Expenditures

Unsupported Expenditure 300

Chamber of Commerce Dues 25

Total Disallowed Expenditures 325

Total Allowable Expenditures 2,065,839

Net Revenues 144,292

Less: Statutory Maximum 71,118

Excess Fees 73,174

Less: Expense Allowance 3,600

Excess Fees Due County for 2007 69,574

Payments to Fiscal Court - March 11, 2008 80,000

March 15, 2008 2,234 82,234

Refund Due From Fiscal Court

at Completion of Audit \$ (12,660)

The accompanying notes are an integral part of this financial statement.

MCCREARY COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2007

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2007 services
- Reimbursements for 2007 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2007

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

MCCREARY COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2007
 (Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent for the first six months and 16.17 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The McCreary County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The McCreary County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2007, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of August 13, 2007, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the County Clerk's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$23,419

MCCREARY COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2007
(Continued)

Note 4. Grant

The McCreary County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives during 2006 in the amount of \$5,321. No funds were expended during 2006 or 2007. The unexpended grant balance was \$5,321 as of December 31, 2007.

Note 5. Lease

The Office of the County Clerk was committed to a lease agreement with Xerox for a copier. The agreement requires a monthly payment of \$236 for 48 months to be completed on April 1, 2009. The total balance of the agreement was \$3,482 as of December 31, 2007.

MCCREARY COUNTY
JO KIDD, COUNTY CLERK
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS - REGULATORY BASIS

December 31, 2007

Assets

Cash in Bank	\$ 173,892
Deposits in Transit	22,671
Collected Receivables	134
Uncollected Receivables:	
State Treasurer - Overpayment of Delinquent Tax	18,136
McCreary County - Overpayment of Excess Fees	12,660
	<hr/>
Total Assets	227,493

Liabilities

Paid Obligations:

Outstanding Checks	\$ 9,683
State Treasurer-	
Motor Vehicle Licenses	9,409
Tangible Personal Property Tax	22,416
Delinquent Tax	3,596
Legal Process Tax	1,597
Affordable Housing Trust	4,548
State Payroll Withholdings	1,969
McCreary County-	
Tangible Personal Property Tax	9,368
Delinquent Tax	1,077
Deed Transfer Tax	6,252
Occupational Licenses	42
Excess Fees - 2007	82,234
Other Districts-	
Tangible Personal Property Tax	23,688
Delinquent Tax	6,634
McCreary County Sheriff	202
Payroll Withholdings	11,969
Miscellaneous	624
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Total Paid Obligations	195,308
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MCCREARY COUNTY
 JO KIDD, COUNTY CLERK
 SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS - REGULATORY BASIS
 December 31, 2007
 (Continued)

Liabilities (Continued)

Unpaid Obligations:

McCreary County-

Delinquent Tax

\$ 5,702

Other Districts-

Delinquent Tax:

McCreary County Board of Education

17,570

McCreary County Health Department

1,829

McCreary County Library

2,479

McCreary County Soil Conservation

695

North McCreary Fire District

193

Central McCreary Fire District

1,639

South McCreary Fire District

2,325

Eagle Sawyer Fire District

123

West McCreary Fire District

195

McCreary County Sheriff

101

Total Unpaid Obligations

32,851

Total Liabilities

228,159

Total Fund Deficit as of December 31, 2007

\$ (666)

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Blaine Phillips, McCreary County Judge/Executive
The Honorable Jo Kidd, McCreary County Clerk
Members of the McCreary County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the McCreary County Clerk for the year ended December 31, 2007, and have issued our report thereon dated June 24, 2008. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the McCreary County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying comments and recommendations as items 2007-01 and 2007-02 to be significant deficiencies in internal control over financial reporting.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the McCreary County Clerk's financial statement for the year ended December 31, 2007, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations as items 2007-03, 2007-04, 2007-05, 2007-06, 2007-07, 2007-08, 2007-09, 2007-10, and 2007-11.

The McCreary County Clerk's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the County Clerk's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the McCreary County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

June 24, 2008

COMMENTS AND RECOMMENDATIONS

MCCREARY COUNTY
JO KIDD, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2007

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:

2007-01 The County Clerk Lacks Adequate Internal Controls Over Computerized Information

During our review of internal controls over computerized accounting information, we noted several significant deficiencies. A back-up of the computerized information is performed only on a periodic basis. The County Clerk does not have off-site storage of files, systems, programs, and other related documentation. Additionally, the County Clerk is not knowledgeable on how to operate or access the computerized accounting system. The only employee who is knowledgeable and currently accesses the computerized accounting system is the part-time bookkeeper. Therefore, the County Clerk does not have adequate procedures in place if an emergency situation occurred. We recommend the McCreary County Clerk attempt to gain more understanding of the accounting system and strengthen internal controls by creating an emergency plan. We further recommend this emergency plan include procedures for daily back up of computerized information and off site storage of files, systems, and related documentation.

County Clerk's Response: We now have a daily backup. We now have off site, storage of files. I do have an understanding of the system. I oversee all of this. Have done so for 25 years.

2007-02 The County Clerk's Office Lacks Adequate Segregation Of Duties

The McCreary County Clerk's office lacks an adequate segregation of duties. During the course of evaluating the office's internal controls, the following deficiencies were noted:

- (a) Post-dated checks, disputed items, unidentified receipts, returned checks, bank charge backs, and all similar items are investigated by the McCreary County Clerk. The County Clerk is not independent of deposit preparation.
- (b) The McCreary County Clerk prepares checks and is the authorized signer of the account. The County Clerk is not independent of purchasing and receiving.
- (c) Only one cash register is available and is utilized by all employees who collect cash receipts.
- (d) Someone who is not independent in the collection of cash prepares daily receipt listings. Daily receipt listings are not compared to the cash receipts ledger.
- (e) Documentation could not be provided that indicated supporting documentation was examined and approved before payment was made
- (f) Weekly, monthly, and quarterly reports are not compared to receipts and disbursements Ledgers
- (g) Bank reconciliations are not performed.

We recommend the following compensating controls could be implemented to offset these internal control deficiencies. Documentation of the compensating controls could be a signature or initial on documentation of the procedure performed:

- 1. Cash be counted by one member of personnel and recounted by the official before deposit is made.
- 2. Surprise cash counts could be performed by the official.
- 3. All checks could be signed by two people, with one of which being the official.

MCCREARY COUNTY
 JO KIDD, COUNTY CLERK
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2007
 (Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:
 (Continued)

2007-02 The County Clerk's Office Lacks Adequate Segregation Of Duties (Continued)

4. Payroll checks could be prepared by one member of personnel, then examined by the official before distribution.
5. Reconciliation of ledgers, monthly reports, and daily deposits could be performed by an additional member of personnel.

County Clerk's Response: This office is not big enough to do all of the above suggestions. I over see everything and I feel I have adequate control.

County Clerk's Responses to: (e) Every invoice pd has a check # on it. (g) Yes they are. 1. It is. 4. They are. 5. They are.

STATE LAWS AND REGULATIONS:

2007-03 The County Clerk Had A Deficit Of \$666 In Her 2007 Fee Account

Based on our audit, the McCreary County Clerk had a deficit in her 2007 fee account in the amount of \$666. This deficit was the result of undeposited receipts totaling \$341, a disallowed \$300 payment for preparation of a delinquent tax spreadsheet without adequate documentation, and a disallowed \$25 payment for Chamber of Commerce dues. We recommend the McCreary County Clerk deposit personal funds of \$666 to eliminate this deficit.

County Clerk's Response: The money has been paid to the County Treasurer.

2007-04 The County Clerk Should Have Paid Taxing Districts Correct Shares Of Monthly Delinquent Tax Collections

The McCreary County Clerk utilized an electronic spreadsheet to calculate each taxing district's share of monthly delinquent tax collections. The spreadsheet did not correctly calculate amounts to be paid, which resulted in the Commonwealth of Kentucky being overpaid by \$18,136 and the County Clerk retaining \$14,715 in excess commissions for calendar year 2007. Local taxing districts were underpaid \$32,851 as follows:

McCreary County Board Of Education	\$17,570
McCreary County Fiscal Court	5,702
McCreary County Health Department	1,829
McCreary County Library	2,479
McCreary County Soil Conservation	695
North McCreary Fire District	193
Central McCreary Fire District	1,639
South McCreary Fire District	2,325
Eagle Sawyer Fire District	123
West McCreary Fire District	195
McCreary County Sheriff	101

MCCREARY COUNTY
JO KIDD, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2007
(Continued)

STATE LAWS AND REGULATIONS: (Continued)

2007-04 The County Clerk Should Have Paid Taxing Districts Correct Shares Of Monthly Delinquent Tax Collections (Continued)

The Department of Revenue of the Commonwealth of Kentucky provides monthly delinquent tax collection forms to all County Clerks. The provided forms show how to accurately calculate each taxing district's share of delinquent tax monies collected. We recommend the McCreary County Clerk use the forms provided by the Department of Revenue in the future to accurately pay each taxing district its share. We further recommend the McCreary County Clerk request a return of the \$18,136 overpayment to the State and pay the local taxing districts \$32,851 owed to them.

County Clerk's Response: I have requested and received the money back from county, but the State Revenue Cabinet said Auditors will have to document and prove this before they will refund it.

2007-05 The County Clerk Should Submit An Amended Fourth Quarter Financial Report To The Department For Local Government

The McCreary County Clerk received an additional \$5,860 in revenue and expended an additional \$43,251 than was reported on the fourth quarter financial report submitted to the Department for Local Government (DLG). We recommend the McCreary County Clerk submit an amended 2007 fourth quarter financial report to DLG.

County Clerk's Response: None.

2007-06 The County Clerk Should Remit Occupational License And Deed Transfer Tax Quarterly

The McCreary County Clerk did not remit occupational license and deed transfer tax to the county treasurer in a timely manner. During the recap of cancelled checks, the auditor noted that the County Clerk did not remit the county's portion of occupational license and deed transfer tax for January through March (1st Quarter) until May 8, 2007. The occupational license and deed transfer tax for April through June (2nd Quarter) were paid on August 6, 2007. In addition, taxes for July through December (3rd and 4th Quarters) were not paid until January 24, 2008. KRS 142.050 (4) requires the County Clerk to collect the amount due and certify the date of payment and the amount of collection on the deed, retain five percent (5%) as a fee for collection, and remit the balance every three (3) months to the county treasurer. We recommend the McCreary County Clerk remit all taxes due for each quarter in the month following the end of each quarter.

County Clerk's Response: None.

MCCREARY COUNTY
JO KIDD, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2007
(Continued)

STATE LAWS AND REGULATIONS: (Continued)

2007-07 The County Clerk Should Report Salaries At Gross On The Financial Statement

The McCreary County Clerk reported salaries at net, instead of gross, as required, on the 2007 financial statement. The Department for Local Government (DLG) was given the authority, by KRS 68.210, to prescribe a uniform system of accounts. The 2006 Instructional Guide for County Budget Preparation and State Local Finance Officer Policy Manual includes a blank form entitled "Form for Budget" that states, "This form is the required format for the budget and quarterly report." The line items for personnel services show the County Clerk and deputies salaries at gross. The auditor made numerous adjustments agreed to by the County Clerk in order for the financial statement to be in compliance. We recommend the McCreary County Clerk prepare the financial statement in accordance with DLG'S 2006 Instructional Guide for County Budget Preparation and State Local Finance Officer Policy Manual.

County Clerk's Response: I may list a transaction differently than the Auditor but I assure you they are listed.

2007-08 The County Clerk Should Deposit Revenues Intact Daily

The McCreary County Clerk's receipts ledger did not agree with the daily checkout sheets and bank deposits. During the course of the audit, we noted that the amount recorded on the daily checkout sheet as "Amount of Deposit" did not always agree to the bank deposit records. Further investigation disclosed the following:

- The County Clerk pays cash for postage and occasional office supply needs and subsequently deducts the amounts from the total revenues. Unrecorded cash expenses totaled \$3,784.96.
- A total of 55 days were either over or short the amount listed on the daily checkout sheet as deposited. The cumulative net shortage not accounted for totaled \$340.83.
- On March 20, 2007 the daily checkout sheet totaled \$8,664.30. A deposit was made on March 20, 2007 for \$8,464.30. After examining the deposit ticket, the area designated for the "total" appeared to have been altered. The deposit was \$200.00 less than was reported on the daily checkout sheet.
- On March 22, 2007 the daily checkout sheet totaled \$7,324.57. A deposit was made on March 22, 2007 for \$7,124.57. After examining the deposit ticket, the area designated for the "total" appeared to have been altered. The deposit was \$200.00 less than was reported on the daily checkout sheet.
- On March 24, 2007 the daily checkout sheet totaled \$2,030.04. A deposit was made on March 24, 2007 for \$1,925.71. After examining the deposit ticket, the area designated for the "total" appeared to have been altered. The deposit was \$104.33 less than was reported on the daily checkout sheet.
- On April 5, 2007 the daily checkout sheet totaled \$9,876.00. A deposit was made on April 5, 2007 for \$9,676.00. After examining the deposit ticket, the area designated for the "total" appeared to have been altered. The deposit was \$200.00 less than was reported on the daily checkout sheet.

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 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2007
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STATE LAWS AND REGULATIONS: (Continued)

2007-08 The County Clerk Should Deposit Revenues Intact Daily (Continued)

- On April 6, 2007 the daily checkout sheet totaled \$6,811.48. A deposit was made on April 6, 2007 for \$6,688.75. After examining the deposit ticket, the area designated for the “total” appeared to have been altered. The deposit was \$122.73 less than was reported on the daily checkout sheet.
- On April 9, 2007 the daily checkout sheet totaled \$9,846.71. A deposit was made on April 9, 2007 for \$9,646.71. After examining the deposit ticket, the area designated for the “total” appeared to have been altered. The deposit was \$200.00 less than was reported on the daily checkout sheet.
- On April 10, 2007 the daily checkout sheet totaled \$7,427.24. A deposit was made on April 10, 2007 for \$7,127.24. After examining the deposit ticket, the area designated for the “total” appeared to have been altered. The deposit was \$300.00 less than was reported on the daily checkout sheet.

Differences noted in the possibly altered deposit tickets are shown in the table below:

Date	Daily Checkout Sheet Total	Less: Cash Purchases	Total Amount To Deposit	Actual Amount Deposited	Variance
03/20/07	8,664.30	-	8,664.30	8,464.30	(200.00)
03/22/07	7,419.34	94.77	7,324.57	7,124.57	(200.00)
03/24/07	2,030.04	-	2,030.04	1,925.71	(104.33)
04/05/07	9,889.38	13.38	9,876.00	9,676.00	(200.00)
04/06/07	6,890.56	79.08	6,811.48	6,688.75	(122.73)
04/09/07	9,846.71	-	9,846.71	9,646.71	(200.00)
04/10/07	7,428.44	1.20	7,427.24	7,127.24	(300.00)

- On April 17, 2007 there was a deposit made for \$900.00 that did not have a corresponding daily checkout sheet. After examining the deposit ticket, a note was written on it saying, “replaces \$900.00” on it.
- The auditor examined a deposit ticket made on April 20, 2007. A note was written saying “replaces 200.00” on it.

MCCREARY COUNTY
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COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2007
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STATE LAWS AND REGULATIONS: (Continued)

2007-08 The County Clerk Should Deposit Revenues Intact Daily (Continued)

The Department for Local Government (DLG) was given the authority by KRS 68.210 to prescribe a uniform system of accounts. Page 61 of the 2006 Instructional Guide for County Budget Preparation and State Local Finance Officer Policy Manual states that the minimum requirements for all local government officials (and employees) includes, but is not limited to, daily deposits made intact into a federally insured banking institution, personal funds kept separate from public funds and disbursements being made by check only. We recommend the County Clerk take the steps necessary to be in compliance with KRS 68.210.

County Clerk's Response: This is done. [March 20 Through April 10] - These were the days where fraud had taken place. [April 17] - This was when money was put back. [April 20] - This was another deposit putting money back. All has been put back and the employee let go.

2007-09 The County Clerk Did Not Maintain Accurate Payroll Records

The auditor was unable to review timesheets for each pay period of calendar year 2007. As part of testing payroll disbursements, the auditor randomly selected the month of April to review employee timesheets. The auditor found that the bookkeeper was paid for each period in April, but did not submit any type of time reports to support payments for hours worked. Additionally, three of the full-time deputy clerks did not submit timesheets for two pay periods in April. The auditor also found that none of the employee's timesheets reflected having any hours worked on Saturdays, even though the County Clerk's office is open. We recommend the McCreary County Clerk maintain a complete and accurate set of payroll records for each calendar year.

County Clerk's Response: All of my employees have been considered salaried employees, but now according to the County's Administrative Code, adopted this June 2008 all of my employees will be hourly and I will be paying overtime for Sat. because it is very important to the public, that the office be opened ½ day on Sat – records will be maintained.

2007-10 The County Clerk Should Adhere To The Fiscal Court's Administrative Code

The McCreary County Clerk does not have a separate administrative code and has been following the Fiscal Court's administrative code as her own. KRS 68.005 (1)(c) states, "The fiscal court shall adopt a county administrative code which includes, but is not limited to, procedures and designation of responsibility for: Personnel administration." The County Clerk does not maintain a ledger indicating the amount of sick or vacation time used or available to use for each employee. The McCreary County Fiscal Court's administrative code states that full time employees accumulate one (1) day each of sick and vacation leave for each month's service. A maximum of 480 hours sick leave and two (2) weeks vacation leave may be accumulated. The code further states that vacation time must be used by an employee if absent from work. We recommend the McCreary County Clerk maintain a record of sick and vacation leave used and available to use for each employee, as required by the Fiscal Court's administrative code.

County Clerk's Response: I will comply with the code adopted June 2008.

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 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2007
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STATE LAWS AND REGULATIONS: (Continued)

2007-11 The County Clerk's Financial Records Were Not Accurate Or Complete

The McCreary County Clerk's financial records for the 2007 fee account could not be relied upon. During the course of the audit, the auditor noted the following:

- The McCreary County Clerk's daily checkout sheet totals did not consistently agree to amounts deposited in the bank account. During 2007, fifty-five (55) deposits did not agree to their respective daily checkout sheets.
- Seven (7) of the McCreary County Clerk's deposit slips appeared to have been altered after initial preparation. The daily checkout sheets for these days indicated the seven deposits were \$1,327 short. Subsequent to this, notations were found on two (2) deposit slips saying, "replaces \$900" and "replaces \$200."
- The McCreary County Clerk's annual settlement did not agree to the 4th quarter financial report submitted to the Department for Local Government (DLG). Additionally, neither the annual settlement nor the 4th quarter financial report agreed to the County Clerk's receipts and disbursements ledgers.
- The McCreary County Clerk's receipts ledger did not reconcile with amounts deposited into the official's fee account by \$14,175.
- The McCreary County Clerk's disbursements ledger did not reconcile with amounts expended per the fee account bank activity by \$49,015.
- The McCreary County Clerk did not attempt to reconcile the 2007 fee account.
- The McCreary County Clerk did not accurately calculate any of the taxing district's shares of the monthly delinquent tax collections. This resulted in the County Clerk retaining \$14,715 in excess commissions and overpaying the Department of Revenue of the Commonwealth of Kentucky \$18,136. The calculation error totaled \$32,851 and is owed to the McCreary County taxing districts.

The McCreary County Clerk did not appear to properly review accounting records prepared by the bookkeeper. The bookkeeper is a part-time employee who primarily works after regular office hours. Pursuant to the requirements of professional auditing standards, it is necessary to report that the bookkeeper does not appear to be qualified currently to efficiently perform the duties required for the position. The McCreary County Clerk's financial records were not in compliance with the Uniform System of Accounts as required by the State Local Finance Officer.

We recommend the McCreary County Clerk ensure that the bookkeeper employed in her office is adequately knowledgeable of transactions, processes, and requirements of the office. We further recommend the McCreary County Clerk closely monitor accounting records prepared by the bookkeeper and verify them for accuracy.

County Clerk's Response: I have and will continue to do so. (We had corrected the posted transactions). They have proper training and I do monitor the accounting records. We corrected all the mistakes before the audit. Postage was paid by cash and receipts kept. These agreed back to the daily sheets, except for the days of suspected fraud. That money was put back to the Clerk's accounts by me.

